

**PAYMENT  
OVERVIEW**

DHS utilizes the services of individual families, placement agency foster care (PAFC) providers, private child caring institutions, court-operated facilities, DHS-operated facilities, mental health facilities and other facilities such as hospitals and adult foster care homes, as appropriate, to meet the needs of an individual child. A combination of the child's legal status, family financial circumstances and placement needs strictly determines which fund source is used to pay for placement and other related services.

**INTRODUCTION TO  
PAID SERVICE  
AUTHORIZATIONS**

Types of paid service authorizations are listed below along with manual references explaining how the payments are initiated.

- **Board and Care** - Includes placement service payments made for family foster home daily rate, placement agency foster care (PAFC) daily rate and administrative rate and child caring institutions (CCI) maintenance and treatment rate. Placement service authorizations are initiated, changed, and terminated in MiSACWIS when a paid placement is created, approved and authorized; see FOM 903-03, Payment for Family Foster Care. Purchased care payment procedures are found in FOM 903-04, Purchased Care Payment Procedures. Rates are found in FOM 905-3, Foster Care Rates and FOM 905-5, Rates for Child Care Institutions and PAFC Providers (A-Z). Service authorizations are end dated when a placement has been ended in MiSACWIS.

**Note:** DHS pays board and care for the first day of placement, but **not** for the last day.

- **Case Service Payments** - See FOM 903-09, Case Service Payments, for foster care case services. Service authorizations for special expenses will be generated upon approval/authorization of a paid case service created in MiSACWIS. A DHS-1582CS, Children's Services Payment Authorizations, or a DHS-1291, Local Payment Authorization, can be generated to support the service authorization/payment request at the time of supervisor approval.

- **Detention Care** - Payment procedures and detention rules are found in FOM 903-02, Detention Care.
- **Shelter Care** - Procedures for service description and availability are found in FOM 912-1, Placement Resources: Residential Care Contract Requirements. Payments for shelter care will vary according to the contract type and license.
- **Independent Living** - Independent living payment for state wards can be authorized from state ward board and care funds. Independent living payment for court wards may be available through the county child care fund depending on the county's child care fund plan through the local office procedures. **Title IV-E cannot be used to fund independent living payments unless the youth is in the Young Adult Voluntary Foster Care (YAVFC) program; see FOM 902-21.** Independent living payments for a state ward are authorized in MiSACWIS as board and care. For a description of independent living policy for state wards; see FOM 722-07, Permanency Planning. For additional independent living funding resources, see FOM 950 for The Youth in Transition (YIT) Program.

**Note:** See FOM 901-8, Fund Sources, for payment options available to former MCI wards.

## FOSTER CARE PAYMENT ELIGIBILITY

The FOM 900 policy series is specific to state ward board and care and title IV-E funded children. The expectation is that county-funded children will be treated the same. However, the decision to apply these policies is a local county child care fund administrator decision. Expenses paid by the county based on these payment policies will be reimbursed per Michigan Administrative Code (Rules); see Child Care Fund R-400.2005, 2021 and 2023.

Children **accepted** as wards of the Department of Human Services **upon commitment** by a family court (**MCI, MCI-O, Act 150**) or children who are released to DHS under Act 296 may be provided services and foster care payments only when:

- They meet the requirements outlined in FOM 902, and they are eligible for title IV-E funding. This fund source consists of a percentage of state and federal funds.

- They are not eligible (or the placement is not reimbursable) for title IV-E funding, and the payment is made through the state ward board and care account. This is 50 percent state and 50 percent county funds.
- The committing county is charged back for one-half of the state's cost of providing care. In those situations where no actual foster care payment is provided (such as training schools, camps, and other state operated facilities), the county continues to be responsible for 50 percent of the state's costs in operating these facilities; see FOM 902-18, Per Diem Cost for State Ward Expenditures and FOM 902-19, Chargeback System.

**Children in the former ADC program or low-income families**, who are not wards of a family court, who require temporary foster care because of a specified situation covered by limited term and emergency foster care funding; see FOM 901-8, Fund Sources. Funding for this type of care is 100 percent state funds.

Children may be provided services from DHS and local payments for foster care when (these payments are not processed through MiSACWIS):

- **The children are temporary and permanent court wards not eligible for title IV-E** whom the family court places in the care and supervision of a local office. Payment is made through the county child care fund. The state reimburses the county for 50 percent of the cost of care of these children.
- **The children are voluntarily placed** by a parent or guardian in the care of a local office which has a county child care fund subaccount. The state reimburses the county for 50 percent of the cost of care of these children.

### Taxability of Foster Care Payments

Taxable income is defined in MCL 206.30(I) as adjusted gross income as determined in the Internal Revenue Code (IRC) subject to certain adjustments.

Foster care payments, including determination of care (DOC) payments, are not taxable to the extent these payments are excludable from adjusted gross income under Section 131 of the IRC.

Foster care payments that are not excludable from taxation under Section 131 will be included in adjusted gross income as compensation for personal services. These payments are taxable to a resident of this state and to a nonresident if the personal services are performed in this state.

Foster parents may receive an IRS 1099 form. This is not meant to be a determination of tax liability.

Recipients of foster care payments must consult a tax advisor for further clarification.